



1. Summary

As one of the few growing segments, the German audio book market saw sales of approximately USD 68 million in 2003 alone. Due to the increasing popularity of audio books among consumers between 25 and 35 years old and an increasing number of English speakers in Germany (more than 35%), demand for English-language audio books is expected to increase as well. The growing German audio book market offers U.S. exporters of audio books in the English language good potential, for adults and children alike. Furthermore, the strong Euro-Dollar exchange rate and increasing usage of MP3 Internet data files, provide U.S. exporters the opportunity of opening alternative channels of distribution in Germany.

2. Market Overview

Since the mid 1990s, the German audio book industry has been booming. Annual sales in this segment stands at around USD 68 million. The German publishing house, "Hörverlag," has projected that total audio book sales in Germany will rise to approximately USD 130 million in the next five years. According to statistics from Media Control, the audio book sector is still a niche market. Audio books accounted for just 2.7% of total sales in the whole book trade in 2003 (compared with 2.4% in 2002). The audio book market-segment in Germany provides valuable opportunities for US businesses and exporters to market English-language audio books within Germany.

Initially, publishers of audio books targeted senior citizens and the visually impaired as main customer groups. This focus, however, has changed. According to "Hörverlag," it is the people on the move within the age bracket of 25-35 years that are now demanding audio books. Today, there are approximately 400 suppliers in the market offering as many as 9,000 titles in Germany.

3. Market Trends

Although the German economy stagnated in 2004, Germany still maintains its position as the world's third largest economy and the United States' largest European trading partner. The German book trade generated total sales of USD 11.5 billion, including specialist/academic journals and audiovisual media. German publishers' production totaled approximately 770 million books, including 80,000 new and reprinted titles; making Germany one of the world's prominent book markets.

English language books, are in high demand in Germany. In 2002, 10.1% of individuals who attended training institutions in Germany undertook English language courses. Furthermore, in the 2002-2003 school year, approximately 1.14 million school children and juveniles partook in English language courses. For example, as of February 2004, all primary schools in the state of Hamburg were required to implement English language courses as part of their main curriculum, starting at the 3rd grade level. According to 2001 statistics from Euromonitor International (a world marketing data and statistics database), 34.7% of the German population is considered to have 'good' proficiency in the English language. In 2003, the EU estimated that over 40% of the population in Germany speaks the English

language. These statistics prove that learning English starting from childhood has become increasingly popular.

In recent years, the literature and books market for children and teenagers has been booming. In the past few years, the number of new titles has increased by approximately 7.7% annually. It is safe to assume that there is a strong market in Germany for English language audio books, for children and adults. In response to the rising demand for English audio-books, "Hörverlag," the leading audio book publisher as well as "Steinbach Sprechende Bücher" contracted with the BBC to offer English audio books to the German population. Moreover, according to the May 2004 edition of "Buchreport" (the professional trade magazine for the German book trade), the business for English language publications will grow dramatically in the next few years. The projected bestselling English audio books are thrillers, classics, and specialties (such as original tones and rarities). Experts believe that these bestsellers will cater to aficionados of original works as well as cosmopolitan individuals.

Based on a survey conducted by the German Association for Book Trade, two-thirds of the book publishers kept their prices levels while one-third reduced sale prices in 2004. The main distribution channel for audible books in Germany remains the traditional book retailer; on-line sales, however, are also very popular and are becoming a major distribution method. Even though traditional bookstores account for 57% of the retail book market, more and more Germans now purchase published products on the Internet, accounting for 5% of all book sales. Furthermore, the survey shows that 40% of audio book publishing companies expected a 10 percent growth in sale for the 2004 calendar year. In the first-quarter of 2004, 20.4% more audio books were sold than in the same period of the previous year. Publishing companies support the audio book market by providing retailers and consumers with sample CDs and hybrid products (such as a book and CD combination) as promotional material.

In Germany, the concept of "Preisbindung" (price control or fixed pricing), which affects the sale of traditional books, does not apply to audio books.

On-line audio book retailers offer a wide selection of audio books to their customers. For example, "Hörbücher-Welt.de" has a section dedicated to audio books in the English language.

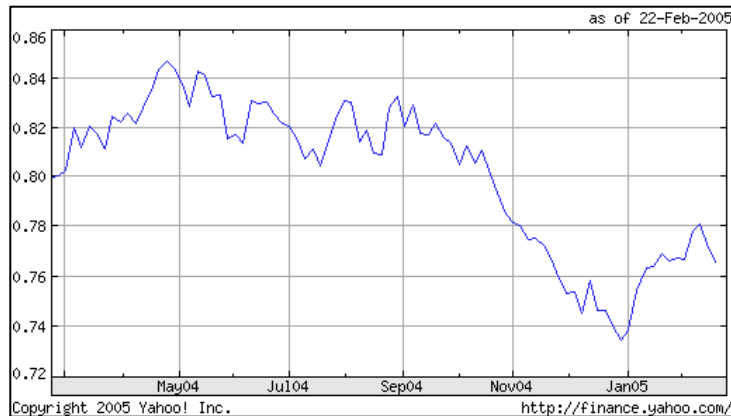
4. Import Market

Total US exports of audio and visual tapes along with books/printed matter, records, tapes, and disks were USD 236.2 million in 2003. In the same year, total German imports of publishing and printing products accumulated to USD 2.8 billion. Approximately 7.3% of all imports to Germany originated in the United States.

Future Projection

The strengthening of the Euro against the U.S. dollar supports U.S. exports of audio books to Germany.

In an effort to increase sales, well over 3,000 bookstores already sell through the Internet. It has become apparent that the Internet and traditional bookshops are not mutually exclusive, but complement each other. The future of the book trade lies in traditional bookstores that offer a broad range of titles, extensive on-site storage, competent service, and the capability to do research as well as order books on the Internet around the clock.



E-Commerce

It is estimated that by 2008 the number of web users will reach 62.6 thousand in Germany, with Germany having approximately 75.6 percent of its population (82 million) connected to the web. This estimate puts Germany far ahead of other European countries in terms of e-commerce. In 2004, German e-commerce amounted to EUR 180.3 billion and it is predicted that by 2008, this share will increase to EUR 580.6 billion.

Downloadable audio books in MP3 audio format are the most recent addition to the product line. The first download portals have been implemented and are in operation. End-users for downloadable audio book files in MP3 format are typically male individuals between the age of 14 and 35.

5. Competition

Publicity and marketing are especially important, as more than 700 million volumes – 78,896 titles – came onto the market in the German-speaking countries in 2002, including 59,916 new publications. In addition, based on international statistics, Germany has the world's third largest market for books in the English language.

The top-three German publishers that have established themselves as audio-book market leaders are:

Publisher	2003 Sales¹	2003 Annual Sales Growth¹	Distribution Channels	Prices, Promotions, etc.	Quality Awards
Hörverlag	USD 14.9 million	41%	Internet, Partner Book & CD Retailers	Bestseller lists, Web Specials, Celebrity Narrators	Winner of the German Audio Book Prize
Random House Audio (Bertelsmann)	USD 5.4 million	35%	Internet	On-line sampling and book specials, Bestseller List, brand name, Workshops	Grammy nominations and winners of "Best Spoken Word Albums" for both adult and children's audio books
Deutsche Grammophon	USD 3.9 million	240%	Book and CD Partner Retailers	Celebrity Narrators, Strong Brand, Low-price Classic series, Special addition offers to loyal customers	Winner of the Audio Book of the Year Prize in 2003

Source: Börsenblatt, (Feb. 2004)

In fall 2003, Random House Audio launched audio book products in the English language. Bestselling authors have included Elizabeth George and John Grisham.

Sales figures of other major German audio book publishers follow below:

Publisher	2003 Sales¹	2003 Annual Sales Growth¹
Lübbe Audio	USD 2.9 million	35%
Patmos	USD 2.4 million	45%
Steinbach sprechende Bücher	USD 2.3 million	Over 30%
Ullstein Hörverlag (Taken over by Random House)	USD 2.3 million	18%
Der Audioverlag (DAV)	USD 2.1 million	80%
Hoffmann und Campe	USD 1.7 million	25%
Lido (Eichborn)	USD 1.4 million	29%

Source: Das Hörbuch Geht On-Line, Deutscher Börsenverein (Jan. 2005)

6. End-Users

Industry leaders such as "Hörverlag" and Random House are convinced that downloads of digital audio content from on-line resources is one of the most important growth segments within the spoken word and audio book industry. Based on a survey conducted by the Association of German Book Trade in January 2005, the increasing demand and interest in downloading digital audio book files from the Internet is a direct result of the increased bandwidth and speed of Internet connections. The survey results are as follows:

	Audio Book Listeners
Total Number of Audio Book Listeners in the Sample Population Surveyed	81.8%
Ages 31-40 years	87.55%
Total Participants Who Download MP3 Data	24%
Male Participants Who Download MP3 Data	37%
Female Participants Who Download MP3 Data	16.7%
MP3 Data Download by Youth (16 & Under)	34.5%
Current Participants Who Download MP3 Data at a Cost	30%
Current Participants Who WOULD Download MP3 Data at a Cost in the Future	59%
Participants Interested in Downloading MP3 Data (Male)	38.5%
Participants Interested in Downloading MP3 Data (Female)	25.4%
Participants with DSL Connections who Download MP3 Data	40.1%

Source: Das Hörbuch Geht On-Line, Deutscher Börsenverein (Jan. 2005)

Audio Books for Adults

According to "Hörverlag", the target group consists of young, active, culture-oriented individuals with advanced and university level education. They are frequent cinema, theater, concert, exhibition, and sport event visitors and are on the go, striving to use every moment of their busy life effectively. Furthermore, this target group tends to be in a higher-than-average income bracket. With this said, audio books sales for adults make up for more than 50% of sales for audio book publishers.

Audio Books for Children and Juveniles

Audio books for children are becoming increasingly popular, accounting for approximately 5% of sales for various publishers. Audio books are seen as products that not only tell exciting stories but also make children smarter. They cater to kids, young people, and families and are often utilized as entertainment for the whole family. Leading publishers currently offer audio books for children as young as three years. These products are promoted as ideal bedtime story telling media.

According to the Association for German Book Trade, audio book publishers see children between five and seven years old as their main target group, mainly because the audio book subjects geared for this group of kindergarten children and

primary school beginners are also interesting to the parents who actually purchase these products.

The Association also states that young children can learn languages easier and faster than adults; therefore, foreign language audio books are instrumental in exposing children to foreign languages. For example, "Jumbo Neue Medien & Verlag GmbH" has an assortment of stories and songs for kids in the English language. All in all, audio books' popularity as a teaching and educational tool for children has a solid foundation and potential within Germany.

7. Market Access

To import audio books into Germany, the importer is required to pay 3.5% import duty on products that are recorded on a compact disc (CD). Additionally, like all consumer goods in Germany, the importer is also responsible for paying the 16% import-turnover tax, which in later distribution stages is passed on to the consumer as a value added tax (VAT). There is, however, no import duty imposed on bound books (including picture books for children), and VAT on such purchases is only 7%. Similar to other areas in the world, success in the German market requires long-term commitment to market development and sales back-up.

8. Market Entry & Advertisements

U.S. exporters can use the services offered by the local branches of the US Commercial Service in Germany to gain access to the German market. For example, through their Gold Key Matching Services, the U.S. Commercial Service assists exporters in finding buyers, partners, agents or distributors within the Federal Republic of Germany. This service provides one-on-one appointments with pre-screened potential agents, distributors, sales representatives, association and government contacts, licensing or joint venture partners, and other strategic business partners in the German audio book market. Furthermore, participation in German trade fairs would be the most efficient method for U.S. audio book exporters to get exposure in the German market.

Advertising

When promoting their products in Germany, suppliers must also observe the local advertising and promotion regulations. Regulation of advertising in Germany is a mix between basic rules and voluntary guidelines developed by the major industry associations. As established early in the 20th century, the "Law Against Unfair Competition" allows for suits to be brought upon responsible parties if their advertising campaigns "violate good manners" or best-practices. Many advertising practices that are common in the United States, such as offering premiums, are not allowed in Germany. Any planned advertising campaigns should be discussed with a potential business partner or an advertising agency in Germany. The contact information for the German association of advertising agencies is as follows:

Gesamtverband Kommunikationsagenturen e.V.

(German Association of Advertising Agencies)

Friedensstr. 11

60311 Frankfurt a. M.

Telephone: +49-69-25 60 0 80

Telefax: +49-69-23 68 83

www.gwa.de

9. Trade Promotion Opportunities

Trade Fairs

Germany hosts leading international trade events in virtually every industry sector, attracting buyers from around the world. U.S. exhibitors at German fairs should be prepared to take full advantage of the business opportunities presented at these events. While U.S. exhibitors and visitors can conclude transactions, all attendees can use major German trade fairs to conduct market research, see what their worldwide competition is doing, and test pricing strategies. The most notable fairs applicable to the audio book industry are the Leipzig Book Fair, the AudioBooksCologne, and the Frankfurt Book Fair.

The Leipzig Book Fair is a significant media event where, in 2004, more than 2,360 journalists from 19 countries reported on this industry's largest spring event in the German-speaking region. The 2004 event catered to 2,084 exhibitors from 30 countries and a total of 102,000 visitors. Leipzig's presentation of audio books has also become the most important national get-together for this sector, creating publicity and promoting the exchange of experience between producers, marketing channels, and consumers.

The AudioBookCologne 2005 was held in March, being the first audio book convention that focuses exclusively on the audio book market, in contrast to traditional book fairs, where audio books play a secondary role. Parallel to lit.COLOGNE, the internationally renowned literature festival, AudioBookCologne presented 60 audio book publishers in all their diversity. AudioBookCologne also featured a number of readings by famous celebrities.

The Frankfurt Book Fair is the world's largest trade fair for books, multimedia, and communications. Every year, authors, publishers, booksellers, librarians, art dealers, illustrators, agents, and journalists come to this fair in order to network with the who's who of the book trade industry. This trade fair featured over 6,700 exhibitors from 110 countries catering to over 270,000 visitors in 2004.

10. Key Contacts

Börsenverein des Deutschen Buchhandels e.V.

Grosser Hirschgraben 17-21

60311 Frankfurt am Main

Tel.: +49 (0) 69 / 1306-0

Fax: +49 (0) 69 / 1306-201

<http://www.boersenverein.de>

E-Mail: waldenmaier@boev.de

Leipziger Messe GmbH

Messe-Allee 1

D-04356 Leipzig

Tel: +49-341-678-8240

Fax: +49-341-678-8242
<http://www.leipziger-messe.de>
E-mail: info@leipziger-messe.de

AudioBooksCologne 2005

Messeplatz 1
D-50679 Köln
Tel. +49-221-821-2151
Fax. +49-221-821-3719
<http://www.audiobookscologne.de/>
E-mail: info@koelnmesse.de

Frankfurt Book Fair/Ausstellungs- und Messe-GmbH

Reineckstr. 3
D-60313 Frankfurt/Main
Tel: +49-69-2102-0
Fax: +49-69-2102-227
<http://www.buchmesse.de>
E-mail: info@book-fair.com

11. Upcoming Trade Shows/Events

Frankfurt Book Fair → October 19-24th, 2005
<http://www.buchmesse.de>
AudioBooksCologne → March, 2006 (Date to be decided)
<http://www.audiobookscologne.de/>
Leipzig Book Fair → March 16th-19th, 2006
<http://www.leipziger-messe.de>

For More Information

US Commercial Service Hamburg

Consulate General of the United States
Alsterufer 27-28
D-20354 Hamburg
Tel. +49-40-411 71-223
Fax. +49-40-410 6598
E-mail: Sebastian.Koehler@mail.doc.gov
www.buyusa.gov/germany/en/hamburg.html

The U.S. Commercial Service Germany can be contacted via e-mail at: hamburg.office.box@mail.doc.gov, website: <http://www.buyusa.gov/germany/en/>.

You can locate your nearest U.S. Export Assistance Center, as well as Commercial Service offices overseas by visiting www.buyusa.gov.

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